

Master Settlement Agreement

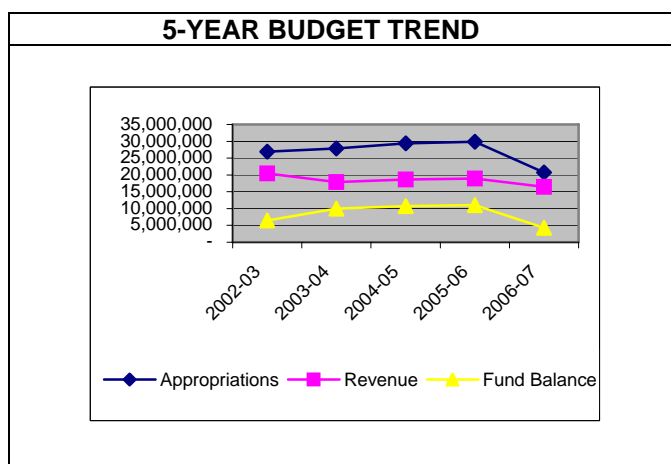
DESCRIPTION OF MAJOR SERVICES

This budget unit accounts for proceeds received from the tobacco lawsuit Master Settlement Agreement (MSA). In late 1998 a settlement was reached in a lawsuit filed by states against the tobacco industry. In California, the proceeds of the settlement are to be divided equally between the state and local governments who partnered in the lawsuit. Payments to local governments are based on a formula involving total tobacco sales and each local entity's population.

A majority of the county's total proceeds are used each year to finance a portion of the Arrowhead Regional Medical Center debt.

There is no staffing associated with this budget unit.

BUDGET HISTORY



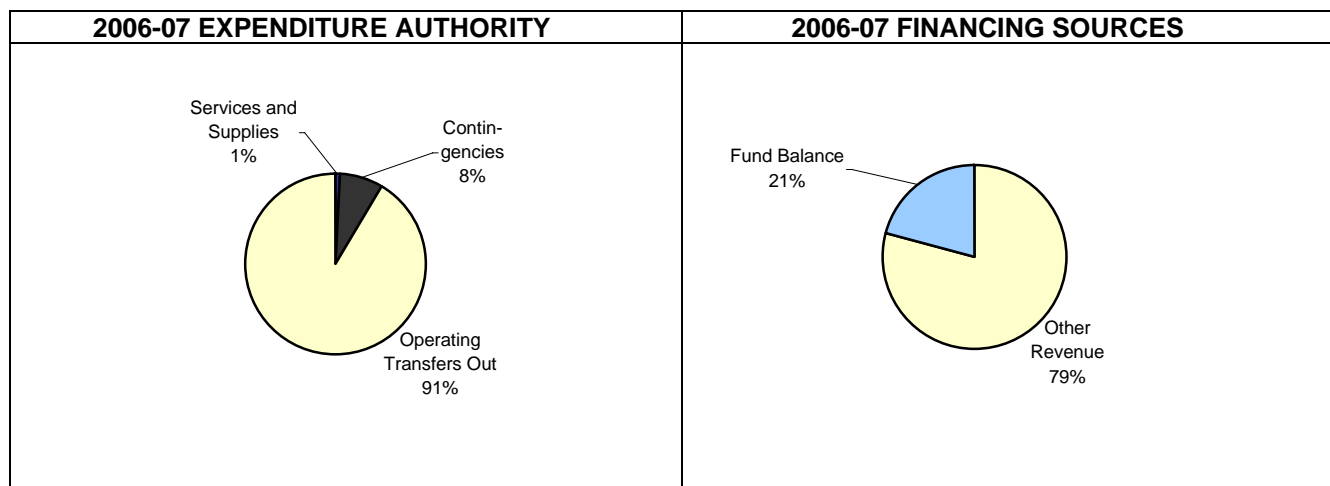
PERFORMANCE HISTORY

	Actual 2002-03	Actual 2003-04	Actual 2004-05	Modified Budget 2005-06	Estimate 2005-06
Appropriation	18,386,633	-	18,633,000	29,894,255	22,933,000
Departmental Revenue	21,931,131	18,473,314	18,757,407	18,904,942	16,241,188
Fund Balance				10,989,313	

Estimated appropriation is less than modified budget as no money was expended for service and supplies in 2005-06. Estimated revenue is less than modified budget due to less than budgeted state aid being received.



ANALYSIS OF PROPOSED BUDGET



GROUP: Administrative/Executive
 DEPARTMENT: Master Settlement Agreement
 FUND: Tobacco Settlement Agreement

BUDGET UNIT: RSM MSA
 FUNCTION: Health and Sanitation
 ACTIVITY: Hospital Care

	2002-03 Actual	2003-04 Actual	2004-05 Actual	2005-06 Estimate	2005-06 Final Budget	2006-07 Proposed Budget	Change From 2005-06 Final Budget
Appropriation							
Services and Supplies	686,633	-	-	-	9,093,561	170,730	(8,922,831)
Other Charges	-	-	-	4,000,000	-	-	-
Contingencies	-	-	-	-	1,867,694	1,617,359	(250,335)
Total Appropriation	686,633	-	-	4,000,000	10,961,255	1,788,089	(9,173,166)
Operating Transfers Out	17,700,000	-	18,633,000	18,933,000	18,933,000	18,933,000	-
Total Requirements	18,386,633	-	18,633,000	22,933,000	29,894,255	20,721,089	(9,173,166)
Departmental Revenue							
Use Of Money and Prop	349,405	269,155	280,108	275,000	228,000	250,000	22,000
Other Revenue	21,581,726	18,204,159	18,477,299	15,966,188	18,676,942	16,173,588	(2,503,354)
Total Revenue	21,931,131	18,473,314	18,757,407	16,241,188	18,904,942	16,423,588	(2,481,354)
Fund Balance					10,989,313	4,297,501	(6,691,812)

On November 1, 2005, the Board of Supervisors approved a \$4.0 million transfer to Chaffey College from this fund for enhancement of Chaffey's nursing program, which has contributed to the decrease in fund balance. Other changes include a decrease in contingencies due to a decrease in revenue and fund balance. Decreased revenues and fund balance are also the cause of the decreased services and supplies. Other revenue is decreased to reflect an anticipated decrease in revenue received from the major tobacco companies to the Master Settlement Agreement fund.

Many major tobacco companies are disputing their obligation to pay current settlement amounts, citing an "adjustment" provision in the settlement that allows them to cut their payments if their collective market share drops below certain thresholds. The major companies are arguing that their smaller rivals are not subject to marketing limits and costs associated with the settlement and can therefore sell their products at lower prices. The major companies are also asserting that states did not try hard enough to level the playing field between the larger and smaller companies. The states maintain that market share is dropping due to a growing preference for generic brand tobacco products and are assuring major tobacco companies that they have taken steps to provide parity. At this time, the major tobacco companies are withholding a portion of settlement monies and the state attorney general has filed suit against them. Consequently, revenue in this budget unit is reduced to reflect the county's share if all settlement monies are not received.

